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EGYPT

SECURITY INFORMATION

1. Egypt has indefinitely suspended, but not broken off, the talks with Britain on Suez.

a. General Nagib, while presenting a pessimistic picture of the gravity of the situation, assured Secretary Dulles that he would keep matters under control until the Secretary can review the dispute in Washington.

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SECURITY INFORMATION

2. Egypt wants Britain to agree to unconditional evacuation of the one and a half billion dollar Suez base.
  - a. Nagib can publicly agree to no less than this because of Egyptian public opinion, which is rapidly hardening against the British.
  - b. Illustrating the trend and intensity of popular feeling, Nagib told Secretary Dulles:  
"an agreement I could make with England, now I will not be able to make in a month or two."

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3. The Wafd party, which made the same unconditional demands on Britain when it abrogated the treaty in 1951, awaits the opportunity to take over if Nagib falters on uncompromising nationalism.
  - a. Despite the ban against political parties, the extremely nationalistic Wafd party is again active and believed to have an organization down to village level.
  - b. The Communists, whose party is banned and who have never been a direct threat in Egypt, are making overtures to the Wafd.
  - c. Extreme rightists, such as the Moslem Brotherhood, are ready for direct action against the British.

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SECURITY INFORMATION

4. Other factors, such as the lack of the promised land reforms and the drop in the price of cotton, (Egypt's principal crop) have added to popular dissatisfaction.
  - a. The rising number of incidents involving Egyptian and British troops is indicative of the new mood.

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SECURITY INFORMATION

8. The British in general insist that maintenance of the Suez base is essential to Western defense in the Middle East.
  - a. They may subscribe to widely-held concept that by using Turkish military forces together with British troops and aircraft based on Suez, any Soviet drive in the Near East could be contained and neutralized.
  - b. It is also clear that the British want to call a halt to the decline of British prestige in the Middle East, and that the Churchill government would face determined opposition at home if it agreed to the Egyptian demands.
  - c. The British rely upon, and are anxious to secure, American endorsement of their position in the negotiations.
  - d. The Foreign Office has stated its willingness to resume the talks if Egypt shows a more flexible attitude.

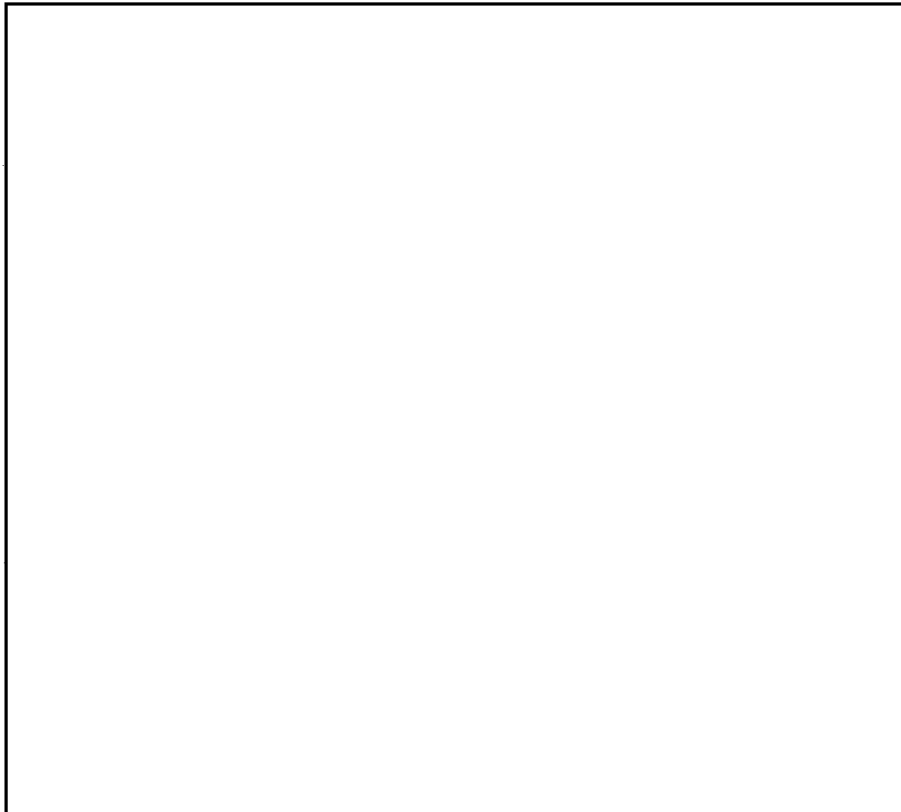
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SECURITY INFORMATION

9. Egyptian stubbornness in its demands may have been encouraged by Soviet and Indian support.



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SECURITY INFORMATION

11. In summary, it is unlikely that Nagib will accept anything less than public agreement by the British to unconditional evacuation.
  - a. If he did, his internal position would deteriorate sharply and he might not be able to maintain himself in power.
  - b. There is still the slim possibility that if London were to make such a public agreement, Egypt might let its full accomplishment drag on indefinitely, that is, allow some British troops in mufti to remain.

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SECURITY INFORMATION

12. There is no doubt that, without a compromise settlement, Britain will remain in Egypt by force of arms.
  - a. This raises the grave possibility that as the Egyptian internal situation worsens, the Nagib regime--or any successor government--may allow guerrilla action against the British.
  - b. Under such circumstances, the situation could get completely out of hand, with anti-foreign sentiment running amuck.
  - c. British counter-action, such as occupation of the Delta, would in turn arouse such violent Arab hatred that the West would no longer have any useful influence in the Arab world.

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